

Message Text

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ORIGIN EUR-12

INFO OCT-01 ISO-00 HA-05 CA-01 CIAE-00 DODE-00 PM-05
H-01 INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02
SS-15 ICA-11 EB-08 /080 R

DRAFTED BY EUR/CE:VSGRAY
APPROVED BY EUR:GSVEST
EUR/CE:WMWOESSNER
-----089677 040520Z /14

R 032317Z AUG 78
FM SECSTATE WASHDC
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AMEMBASSY BONN
INFO USMISSION USBERLIN

C O N F I D E N T I A L STATE 196719

E.O. 11652: GDS

TAGS: CPRS, PGOV, GE, GW, US

SUBJECT: MEETING ON JEWISH CLAIMS AMONG CONGRESSMAN BINGHAM,
ASSISTANT SECRETARY VEST AND REPRESENTATIVES OF CONFERENCE
ON JEWISH MATERIAL CLAIMS

REF: (A) STATE 146077, (B) FERENCZ MEMO OF JULY 14, 1978
NOTAL

1. SUMMARY: ON JULY 31, ASSISTANT SECRETARY VEST MET WITH
CONGRESSMAN JONATHAN BINGHAM (D-NY) AND RABBI ISRAEL MILLER
AND BEN FERENCZ OF CONFERENCE ON JEWISH MATERIAL CLAIMS TO
DISCUSS CONFERENCE'S "PAYMENT-IN-GOODS" PROPOSAL (REF A)
AND QUESTION OF OVERLAPPING CLAIMS. DURING MEETING, ALSO
ATTENDED BY VIC JOHNSON OF BINGHAM'S STAFF, AND WOESSNER
AND GRAY OF EUR/CE, BINGHAM AGREED TO RAISE MATTER OF ,PAY-
MENT-IN-GOODS" PROPOSAL CONTAINING MFN-EXEMPTION BUT EXCLUD-
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ING TRADE OFFICE WITH GDR AMBASSADOR GRUNERT SHORTLY AFTER
HIS ARRIVAL IN WASHINGTON AND TO RAISE MATTER OF POSSIBLE
USG LEGISLATION ON OVERLAPPING CLAIMS WITH FRG AMBASSADOR
VON STADEN. VEST AGREED TO SEEK EXECUTIVE BRANCH SUPPORT
FOR APPROPRIATELY LIMITED MFN-EXEMPTION FOR GDR GOODS, THE
GROSS SALES RECEIPTS FOR WHICH WOULD BE PAID TO CONFERENCE
ON JEWISH MATERIAL CLAIMS, AFTER DETAILS OF THE REQUIRED
LEGISLATION BECOME CLEARER (PERHAPS AS A RESULT OF BINGHAM-

GRUNERT MEETING). IN MEANTIME, HE REPORTED, AMBASSADOR

BOLEN WOULD AGAIN GIVE GENERAL ENCOURAGEMENT TO SOLUTION OF JEWISH CLAIMS IN UPCOMING MEETINGS WITH GRUNERT AND FISCHER. END SUMMARY.

2. RABBI MILLER OPENED THE MEETING BY RECALLING THE HISTORY OF THE CONFERENCE'S EFFORT TO NEGOTIATE A SETTLEMENT OF THE JEWISH CLAIMS ENDING WITH DESCRIPTION OF THE BINGHAM-ARRANGED MEETING JUNE 6 BETWEEN FOREIGN MINISTER FISCHER AND CONFERENCE REPRESENTATIVES. NOTING THAT FISCHER "DID NOT SAY NO," MILLER TERMED THE MEETING A "HOPEFUL CONVERSATION., HE HAD, HE SAID, PROPOSED TO FISCHER A GLOBAL PAYMENT IN FORM OF GIFT DRAWN FROM THE PROCEEDS OF DUTY-FREE IMPORTS. HE POINTED OUT THAT IT SHOULD NOT BE SEEN AS LEGAL OBLIGATION BUT RATHER AS MEANS OF "CLEARING MORAL RECORD." ACCORDING TO MILLER, FISCHER SEEMED INTERESTED IN THE MANNER OF PAYMENT AND PROMISED TO BE BACK IN TOUCH THROUGH THE GDR AMBASSADOR. NOTING THAT AMBASSADOR SIEBER HAD INDEED RECONTACTED BINGHAM AND HAD BEEN GIVEN FURTHER DETAILS ON THE PROPOSAL, MILLER WONDERED WHETHER THE CONFERENCE SHOULD NOW CONTACT THE GDR EMBASSY DIRECTLY. HE ASKED FOR VEST'S COMMENTS ON WHAT IS NOW POSSIBLE AND ADVISABLE IN LIGHT OF THE FACT THAT THE CONFERENCE IS NOW DEALING WITH THE FOREIGN MINISTER
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OF A FOREIGN GOVERNMENT.

3. FERENCZ THEN APPRISED THE GROUP OF HIS MID-JULY MEETINGS WITH THE ANTI-FASCIST LEAGUE IN BERLIN (REF B). HAVING FAILED TO CONTACT FUNKE, HE MET WITH HELLMER, DURING WHICH FERENCZ BROACHED THE GLOBAL PAYMENT FIGURE OF DOLLARS 100 MILLION "MORE CONCRETELY." (THE FIRST TIME THAT FIGURE WAS RAISED, HE SAID, WAS IN "JEST" I.E., WHEN HE TOLD FUNKE LAST YEAR THAT, HAD THE GDR'S INITIAL OFFER BEEN DOLLARS 100 MILLION RATHER THAN DOLLARS 1 MILLION, THERE WOULD BE NO NEED FOR FURTHER DISCUSSIONS.) FERENCZ SAID THAT HE THEN WENT ON TO EXPLAIN TO HELLMER THE METHOD OF PAYMENT. GDR GOODS WOULD BE EXPORTED TO THE U.S. DUTY-FREE, THE MANUFACTURERS PAID IN DME, AND THE DOLLARS PAID FOR THE GOODS IN THE U.S. THEN TURNED OVER TO THE CONFERENCE. HE PROPOSED TO HELLMER ANOTHER MEETING TO DRAW UP A MEMORANDUM OF AGREEMENT. HELLMER REPLIED THAT HE WOULD BE IN TOUCH WITH FISCHER AND LATER FERENCZ.

4. IN THE GIVE-AND-TAKE THAT ENSUED, VEST STARTED BY CLARIFYING KEY POINT THAT DUTY-FREE ENTRY, INVOLVING AS IT WOULD A HOST OF INTERNATIONAL TRADE COMPLICATIONS, WOULD BE FAR MORE DIFFICULT TO ARRANGE THAN AN MFN EXEMPTION. BINGHAM AGREED AND SAID THAT WE MUST BE CLEAR THAT

WHAT WE ARE TALKING ABOUT IS AN MFN EXEMPTION. VEST THEN ASKED IF FERENCZ WAS THINKING IN TERMS OF NET OR GROSS

PROCEEDS BEING TURNED OVER TO THE CONFERENCE, NOTING THAT, WHILE THE LATTER WOULD PROBABLY ONLY REQUIRE A 5-6 YEAR EXEMPTION, A PROGRAM INVOLVING A SIMPLE CREAM-OFF OF MFN-PRODUCED PROFITS COULD REQUIRE MANY MORE YEARS TO COMPLETE. FERENCZ CONFIRMED THAT HE HAD GROSS SALES IN MIND, AND ALL AGREED TO PROCEED ON THAT BASIS.

5. IN RESPONSE TO A QUESTION FROM BINGHAM AS TO WHY THE PROPOSAL ONLY ENVISAGED THE SALE OF GDR GOODS IN THE U.S.
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RATHER THAN IN OTHER HARD CURRENCY AREAS, FERENCZ SAID THAT THE GDR WAS FINDING IT TOUGHER TO PENETRATE THE U.S. MARKET. AGREEING THAT THE GDR IS INTERESTED IN MARKET DEVELOPMENT IN THE U.S., VEST MADE CLEAR THAT WE ARE NOT PREPARED TO GIVE THE GDR A TRADE OFFICE UNTIL WE HAVE ACHIEVED A CONSULAR CONVENTION. THIS, HE UNDERLINED, IS A FUNDAMENTAL ISSUE. BINGHAM AND MILLER SAID THEY UNDERSTOOD THE IMPORTANCE OF THE CONSULAR CONVENTION AND DID NOT DISPUTE THIS STRICTURE ON A TRADE OFFICE. FERENCZ, HOWEVER, OPINED THAT A "REPARATIONS OFFICE" MIGHT BE NECESSARY. AFTER VEST SAID THAT THAT WOULD BE A TRADE OFFICE UNDER ANOTHER NAME, THE ISSUE WAS DROPPED.

6. TURNING TO DRAFT LEGISLATION CIRCULATED BY JOHNSON, BINGHAM NOTED THAT IT REFERRED NOT ONLY TO DUTY-FREE ENTRY BUT ALSO TO PAYMENTS TO AN HEIRLESS CLAIMS FUND. HE WONDERED WHAT THAT FUND WAS AND HOW IT FIT INTO THE CONFERENCE PROPOSAL. FERENCZ CLAIMED THAT IT WAS A FUND THAT HAD CREAMED OFF ABOUT DOLLARS 500 MILLION FROM GENERAL FRG REPARATIONS FOR USE BY THE CONFERENCE'S PREDECESSOR, THE UNITED RESTITUTION ORGANIZATION. THE GDR, HE CONTINUED, HAS LOTS OF HEIRLESS JEWISH PROPERTY, ALONE WORTH MORE THAN DOLLARS 100 MILLION, BUT DOES NOT ACCEPT THE PRINCIPLE THAT SUCH PROPERTY SHOULD BENEFIT JEWISH RELIEF ORGANIZATIONS. CLAIMING IT WAS TOO EARLY TO DISCUSS SUCH DETAILS AND NOTING THE DEFECTIVE REFERENCE TO DUTY-FREE ENTRY, BINGHAM ASKED THAT THE COPIES OF THE DRAFT LEGISLATION ON THE TABLE BE RECOLLECTED AND COMPLETELY REWORKED. TO SHOW THE TABLED DRAFT TO THE GDR, HE SAID, WOULD GIVE THEM "OVERLY OPTIMISTIC IDEAS."

8. VEST SAID THAT THE "PAYMENT-IN-GOODS" PROPOSAL WAS AN IMAGINATIVE INITIATIVE THAT IS APPARENTLY BEING CONSIDERED
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SERIOUSLY BY THE GDR. THE NEXT STEP, HE CONTINUED, WOULD BE FOR BINGHAM TO CONTACT AMBASSADOR GRUNERT AFTER HIS ARRIVAL IN WASHINGTON AND ENCOURAGE A FURTHER RESPONSE AS SOON AS POSSIBLE. PROMISING TO DO SO, BINGHAM ASKED FOR

THE DEPARTMENT'S SUPPORT FOR THE LEGISLATION THAT WOULD BE

REQUIRED FOR AN MFN-EXEMPTION. VEST SAID THAT, WHILE HE COULD LOOK WITH FAVOR ON LEGISLATION THAT WOULD GRANT A TIME-AND VALUE-LIMITED MFN EXEMPTION FOR THE SALE IN THE U.S. OF GDR GOODS, THE TOTAL PROCEEDS FOR WHICH WOULD BE PAID TO THE CONFERENCE, HE WOULD HAVE TO CLEAR THE PROPOSAL WITH OTHER BUREAUS WITHIN THE DEPARTMENT AND WITH OTHER AGENCIES CONCERNED WITH TRADE. HE SAID HE WOULD SEEK TO DO SO AFTER BINGHAM CAME BACK TO HIM WITH AN INDICATION OF GDR INTEREST AND FURTHER DETAILS ON THE ACTUAL LEGISLATION. BINGHAM SAID HE WOULD BE BACK IN TOUCH AFTER METING WITH GRUNERT. MILLER INTERJECTED TO ASK IF THE DEPARTMENT COULD "JIGGLE" THE GDR IN GENERAL TERMS, BEING CAREFUL NOT TO INVOLVE ITSELF IN THE DETAILED NEGOTIATIONS. GRAY REPLIED THAT AMBASSADOR BOLEN ALREADY HAD INSTRUCTIONS TO THAT EFFECT AND WOULD DO SO WITH GRUNERT AND/OR FISCHER IN THE NEXT FEW WEEKS. WHEN FERENCZ COMPLAINED THAT STATE HAD NOT GIVEN HIS PROPOSALS ANY SUPPORT, WOESSNER NOTED THAT, ON THE CONTRARY, IN HIS OWN MEETINGS WITH EAST GERMANS IN BERLIN IN JUNE AND SUBSEQUENTLY HERE IN WASHINGTON, HE HAD INDEED ENCOURAGED THEM TO LOOK CAREFULLY INTO FERENCZ' PROPOSALS. BINGHAM AND MILLER EXPRESSED GRATITUDE FOR THE DEPARTMENT'S CONTINUING EFFORTS IN THIS REGARD.

9. TURNING TO OVERLAPPING CLAIMS, FERENCZ REPORTED THAT THE WEST GERMANS HAD PLACED A HOLD ON PROCESSING THE CLAIMS OF AMERICANS UNDER THEIR OWN EQUALIZATION OF BURDENS ACT, ONCE THEY HAD BECOME AWARE OF THE U.S. CLAIMS PROGRAM AGAINST THE GDR UNDER P.L. 94-542. IN THIS REGARD, HE SAID, "THE CONGRESSMAN'S BILL CAUSED GREAT HARM." BINGHAM REPLIED THAT HE HAD BEEN PRESSED BY THE DEPARTMENT TO PASS
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THE BILL LATE IN THE SESSION, TO WHICH COMMENT FERENCZ REMARKED THAT "WE ARE ALL EMBARRASSED BY THE GREAT HARM CAUSED BY THE BILL." WHAT WAS NOW REQUIRED, ACCORDING TO FERENCZ, WAS NEW LEGISLATION THAT WOULD FORCE THE FRG TO PAY AND A "TOUGH" STATEMENT BY THE U.S. TO THE GDR THAT, IF THE CONFERENCE-ANTI-FASCIST LEAGUE TALKS FAIL, THE GDR WILL HAVE TO DEAL WITH THE U.S. ON THE JEWISH CLAIMS. GRAY INTERJECTED THAT A LEGISLATIVE SOLUTION MIGHT BE PREMATURE IN VIEW OF THE FREYMUTH APPEALS PROCESS AND INDICATIONS (REPORTED LAST WEEK BY DAVID ROGERS) THAT OUR NEGOTIATIONS WITH THE FRG HAD ALREADY HAD SOME SALUTARY EFFECTS (THE LIFTING BY THE FRG OF THE FREEZE ON PERSONAL PROPERTY CLAIMANTS AND THOSE WHO BECAME AMERICAN CITIZENS AFTER JANUARY 1, 1953 AND INDICATIONS THAT THE FRG IS IN THE PROCESS OF DRAFTING A REPLY TO OUR LAST QUERY CONCERNING METHODS OF CALCULATING A LUMP SUM PAYMENT). FERENCZ REJECTED THESE ARGUMENTS NOTING THAT CLAIMANTS WERE DYING WHILE WE TALKED.

10. AFTER CLARIFYING FOR HIMSELF THAT "OVERLAPPING" CLAIMS WERE QUALITATIVELY DIFFERENT FROM THE JEWISH CLAIMS THE CONFERENCE WAS PRESSING WITH THE GDR (THE LATTER INVOLVING NON-PROPERTY LOSSES TO BE PAID TO JEWISH ORGANIZATIONS AND THE FORMER PROPERTY CLAIMS TO BE PAID TO INDIVIDUALS), BINGHAM PROPOSED TO DISCUSS AN AMICABLE SOLUTION OF THE OVERLAPPING CLAIMS ISSUE WITH FRG AMBASSADOR VON STADEN. ALL AGREED THAT SUCH A DISCUSSION WOULD BE HELPFUL, ESPECIALLY IF BINGHAM COULD SHOW VON STADEN THE TYPE OF LEGISLATION THAT HE MIGHT BE PUSHED INTO SUPPORTING. BINGHAM SAID HE WOULD MAKE AN APPOINTMENT WITH VON STADEN, AND FERENCZ WAS CHARGED WITH PROVIDING BINGHAM AND THE DEPARTMENT WITH TALKING POINTS AND A LEGISLATIVE DRAFT FOR USE IN THE MEETING. VANCE
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Message Attributes

Automatic Decaptioning: X
Capture Date: 26 sep 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LEGISLATORS, MEETINGS, VISITS
Control Number: n/a
Copy: SINGLE
Draft Date: 03 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE196719
Document Source: ADS
Document Unique ID: 00
Drafter: EUR/CE:VSGRAY
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Expiration:
Film Number: D780320-0615
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197808122/baaaezle.tel
Line Count: 238
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Message ID: abd0f759-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: (A) STATE 146077, (B) FERENCZ MEMO OF JULY 14, 1978 NOTAL
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 20 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1587736
Secure: OPEN
Status: NATIVE
Subject: MEETING ON JEWISH CLAIMS AMONG CONGRESSMAN BINGHAM, ASSISTANT SECRETARY VEST AND REPRESENTATIVES
OF CONFERENCE ON JEWISH MATERIAL CLAIMS
TAGS: CPRS, PGOV, ACLM, GC, GE, US
To: BERLIN BONN MULTIPLE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/abd0f759-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014